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SIPDIS

WHITE HOUSE FOR USTR LAURIE-ANN AGAMA
DEPARTMENT FOR OES/STP

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TAGS: ENRG ECON EINV EIND EFIN GH
SUBJECT: GHANA ENERGY SECTOR HIGHLIGHTS, DECEMBER 2008

Please note Department action request in paragraph ¶8.

¶1. (SBU) SUMMARY:

¶A. (U) New hydro generation projects are moving ahead with Chinese and Brazilian financial assistance and tied contractors. Based on the assumption that new gas-fired thermal plants will also be online by 2011, the Minister of Energy has announced a target power price of 9 cents per kilowatt hour by 2012.

¶B. (SBU) Ghana announced its intention to pursue nuclear power generation by 2018. Although they are still at the notional stages of drafting a national strategy for nuclear power, the Government of Ghana (GOG) has requested USG assistance through the Global Nuclear Energy Partnership (GNEP) program.

¶C. (U) Ghana has established an independent power distribution agency, further opening the door to increased participation in the power sector by independent power producers. The Ministry of Energy is seeking over one billion USD in investments and upgrades for GhanaQs electricity distribution system. Progress on rural electrification is being accomplished in Ghana through the MCC and 'self-help' programs funded by the U.S. Ex-Im Bank, as well as Japan and the PRC.

¶A. Generation: Plunging Ahead, Back Into Debt Finance

¶2. (SBU) Energy Minister Felix Owusu-Adjapong announced that Ghana would reach 3,500 megawatts in domestic power generation by 2013 following the completion of all power projects currently underway. (Note: The 2013 GOG target is 4,000 megawatts. End Note.) Anticipating a supply of natural gas from both Nigeria and from domestic offshore facilities,

the Minister announced that the GOG is investing USD 400 million in thermal generation projects. He added that GhanaQs National Petroleum Corporation (GNPC), Volta River Authority (VRA), and Electricity Company of Ghana (ECG) have been directed to ensure that tariffs do not exceed 9 cents per kilowatt hour by the 2011 to 2012 timeframe.

¶3. (SBU) Ministry contacts told econoffs that after an assessment of Qbest practicesQ from other countries, the 9 cent rate was viable based on electricity supplied from both hydro and thermal sources. COMMENT: This rate may be based on a set price for natural gas rather than market pricing. Econ will report on domestic natural gas commercialization SEPTEL. END COMMENT.

¶4. (SBU) Construction work is underway at the Bui Dam hydro-electric project, financed by a USD 292 million buyerQs credit facility from the Chinese Ex-Im bank, USD 270 million in a sovereign concessional loan, and an additional USD 60 million from internal GOG resources. Once completed, the dam will generate 400 megawatts and provide irrigation water for the Brong Ahafo region. Construction work by the PRCQs Sino Hydro has been interrupted periodically by Ghanaian workers agitation for better wages, job security and collective bargaining. The arrival of Pakistanis to augment the Chinese workforce decreases the leverage of the 800 local laborers.

¶5. (SBU) At a recent donor meeting, the Ministry of Energy announced that the Chinese have backed out of prior stated interest in financing and constructing three additional dams (estimated cost: USD 900 million) on the Ankobra, Tano and Pra rivers. The Ministry of Energy did not discuss the reasons for the Chinese change of heart, but noted that alternative finance sources were being explored.

¶6. (U) Parliament approved a USD 500 million loan from Brazil to finance the construction of two hydro-electric projects. GOG will contribute USD 55 million to the projects. The Juale project on the Oti River in the Northern Region is expected to generate 90 megawatts. The Pwalugu project on the White Volta in the Upper East Region will generate 50 megawatts. Both projects were originally scoped in 1993, with a grant from the French Government (awarded to French firm Coyne ET).

¶B. The Nuclear Option

¶7. (SBU) The Minister of Energy and Director-General of the Ghana Atomic Energy Commission, Professor Edward Akaho, announced Ghanaian intent to explore nuclear energy. The Director-General suggested that a Ghana Nuclear Regulatory Authority be constituted independently from the likely nuclear operator (the Ghana Atomic Energy Commission). To reach the goal of nuclear generation by 2018, the National Committee on Nuclear Energy, headed by Professor Daniel Adzei Bekoe, is currently developing a national Nuclear Power Policy.

¶8. (SBU) The case for nuclear energy is based on projected increases in demand for power: according to GOG estimates, by 2020 peak power demand will rise to 4,400 megawatts. Contacts at the Energy Ministry confirmed to econoffs that Ghana intends to Qgo nuclearQ-- eventually. NOTE: Ghana is a Global Nuclear Energy Partnership (GNEP) Partner Country even though its civilian nuclear industry still consists of a small research reactor housed at the

University of Ghana. The Minister of Energy recently signaled to Ambassador Teitelbaum the GOG's interest in greater nuclear cooperation through GNEP. We await Department guidance in responding to the GOG. END NOTE.

¶C. Live Wires: Transmission, Distribution, and Rural Electrification

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¶9. (U) Transmission: Ghana has established an independent transmission entity: the Ghana Grid Company (GRIDCO), drawn out of the Volta River Authority (VRA)'s transmission department. The GOG maintains that GRIDCO will facilitate private, independent power production and development of renewable energy sources. The establishment of an independent transmission company will enable Ghana to more effectively participate in the West Africa Power Pool,and will facilitate tariff 'unbundling' and greater transparency in electricity pricing.

¶10. (U) Distribution: The Energy Minister announced the need for USD 1 billion of investment in the Electricity Company of Ghana (ECG). This includes proposed investment in new infrastructure and replacement of old systems, much of which has not been adequately maintained due to undercapitalization of utility companies and subsidized energy tariffs. To that end, parliament

approved a 65.1 million euro loan from Norway's export credit agency and Fortis Bank of the Netherlands. This loan will be used to finance upgrades for ECGQs distribution system in Accra, Tema, and Kumasi, including new substations, cable works, and staff capacity building. (The contractor for the work will be NorwayQs Jacobsen Electro.)

¶11. (U) Rural Electrification: The Millennium Challenge Corporation (MCC)'s Compact includes a USD 5.5 million rural electrification program implemented by GhanaQs Millennium Development Authority working in three regions (Northern, Afram and Southern). In August, the U.S. Ex-Im Bank announced the fourth in a series of loans for GhanaQs Self-Help Electrification Program (SHEP), which aims to connect all eligible communities (with a minimum population of 500 individuals, or approximately 3,800 villages) to the national power grid by 2020. The SHEP IV loan project is worth USD 350 million, and will be awarded to a small U.S. business: Weldy-Lamont Associates Inc. of Mount Prospect, Illinois. (NOTE: Ex-Im is providing a loan of USD 344 million. END NOTE.)

¶12. (U) It was also reported that Ghana has also established a USD 30 million credit facility with the ECOWAS Bank of Investment and Development, also for SHEP IV. In a separate project, the Japanese government has granted Ghana approximately USD 6 million for rural electrification in the eastern region. Japan's support for rural electrification began in 1989 and is currently on its fifth grant series in the power sector. Additionally, Chinese grants for self-help rural electrification projects have benefitted 28 communities in the Central Region (Twifo Hemang, Lower Denkyira District.)

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